



General Services Administration
Office of General Counsel
Washington, DC 20405

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September 27, 1995

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY
DOCKET FILE COPY ORIGINAL

Subject: Amendment of the Commission's Rules and Policies
to Increase Subscribership and Usage of the Public
Switched Network, CC Docket No. 95-115.

Dear Mr. Caton:

Enclosed please find the original and nine copies of the General Services Administration's Comments for filing in the above-referenced proceeding.

Sincerely,

Jody B. Burton
Assistant General Counsel
Personal Property Division

Enclosures

cc: International Transcription Service
Ernestine Creech, Accounting and Audits Division

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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)

)
Amendment of the Commission's)
Rules and Policies to Increase)
Subscribership and Usage of the)
Public Switched Network)

CC Docket No. 95-115

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COMMENTS OF THE
GENERAL SERVICES ADMINISTRATION

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September 27, 1995

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

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**COMMENTS OF THE
GENERAL SERVICES ADMINISTRATION**

The General Services Administration ("GSA"), on behalf of the Federal Executive Agencies, submits these Comments in response to the Commission's Notice of Proposed Rulemaking ("NPRM"), FCC 95-281, released July 20, 1995. In this NPRM, the Commission requested comments and replies on programs to increase subscribership and usage of the public switched network.

I. INTRODUCTION

As the Commission notes, its universal service policies have met with significant success. Subscribership on a nationwide basis has risen from 37 percent in 1940 to nearly 94 percent in 1994.¹ Despite this overall success, however, the NPRM notes that certain geographic areas and demographic groups have non-subscribership levels much greater than the national average.

¹NPRM, para. 1.

GSA commends the Commission for recognizing in its NPRM that its universal service goals can best be achieved by targeting assistance to those in need, and by developing specific programs to maintain and increase subscribership levels. The Commission's Link Up program already helps low-income subscribers begin telephone service by paying half of the first \$60 of connection charges.² Similarly, the Commission's Lifeline program helps low-income subscribers maintain telephone service by subsidizing their monthly telephone bill.³

In these comments, GSA endorses the Commission's latest proposals to promote universal service.

II. THE CONTROL OF INTERSTATE LONG-DISTANCE CHARGES.

For many years it was assumed that universal service could only be achieved by a system of monopoly protected subsidies under which state commissions required monthly local service rates for all residential subscribers to be set below cost. In recent years, however, it has been shown that these cross-subsidies are not only economically inefficient, they are also counter-productive with respect to the maintenance and improvement of subscribership levels. The definitive study on the subject, published in the American Economics Review, concluded:

²NPRM, para. 23.

³Id., para. 34-36.

Indeed, the effect of long-distance prices is sufficiently large that a revenue-neutral rebalancing of telephone prices, which would reduce the subsidy for basic access and lower long-distance prices, would lead to both large gains in economic efficiency and increased telephone penetration in the United States. Thus, the perceived policy trade-off between economic efficiency and telephone penetration is unlikely to exist any longer.⁴

This finding, and more recent studies, shifts the focus of universal service efforts from maintaining below-cost local exchange rates to minimizing the adverse impact of long distance charges on subscribership.

The Commission cites a number of studies which indicate that a significant number of non-subscribers had been disconnected for non-payment of their long-distance charges.⁵ This leads the Commission to propose several new programs which are more sharply focused and directed at the specific causes of disconnection.

First, the Commission proposes to require local exchange carriers ("LECs") to offer voluntary interstate long-distance blocking at reasonable rates.⁶ This would provide subscribers with an option which would allow them to limit their telephone bill without giving up access to local service or the ability to receive long-distance calls.

⁴ The Effects of the Breakup of AT&T on Telephone Penetration in the United States, Jerry Hausman, Timothy Tardiff and Alexander Belinfante, American Economics Review, Vol. 83, No. 2, May 1993, p. 179 (emphasis in original).

⁵Id., para. 10-14.

⁶Id., para. 19.

The Commission builds upon this concept by proposing that LECs be required to reduce the connection deposit requirements of subscribers who agree to toll restrictions.⁷ This would mitigate a formidable obstacle to initiating service for low-income subscribers.

Finally, the Commission proposes to prevent the complete disconnection of subscribers for failure to pay their interstate long-distance charges.⁸ Such subscribers would be blocked from making interstate long-distance calls, but would not be completely disconnected from the network.

GSA supports these proposals. As the Commission notes, the institution of programs such as these helped the Commonwealth of Pennsylvania to gain an astounding 97 percent subscribership penetration in 1994.⁹ While certainly not a panacea, these programs do represent exactly the type of focused attention required to maintain and enhance subscribership in the face of local exchange competition.

In this connection, GSA recommends that the Commission's new mandate be extended to include all local service providers. Such an extension would ensure competitive neutrality and maximize the effect of these targeted programs.

⁷Id., para. 26.

⁸Id., para. 31.

⁹Id., footnote 10.

III. THE EXTENSION OF TELEPHONE SERVICE TO UNSERVED AREAS.

The Commission also seeks comment on the extension of telephone service to unserved areas.¹⁰ The Commission notes that those living in remote locations, geographically rugged terrain or areas of low population density may not receive telephone service because of the high cost of constructing wire facilities to their premises.

GSA believes that the Commission's promotion of local exchange competition and wireless technology will serve to reduce the number of geographic areas without telephone service. As GSA has noted in its comments in the Universal Service Fund proceeding, refinement of the Commission's high cost assistance program will also help to ensure that telephone service is available to virtually all people throughout the nation.¹¹

¹⁰Id., para. 40-41.

¹¹Amendment of Part 36 of The Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286 ("Universal Service Fund proceeding"), Comments of GSA, September 12, 1995, pp. 1-2.


IV. CONCLUSION

As the agency vested with the responsibility for acquiring telecommunications services on a competitive basis for use of the Federal Executive Agencies, GSA urges the Commission to adopt proposals which would require all local service providers to offer interstate long-distance call blocking as discussed in these comments.

Respectfully submitted,

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September 27, 1995

CERTIFICATE OF SERVICE

I Jody B. BURTON, do hereby certify that copies of the foregoing
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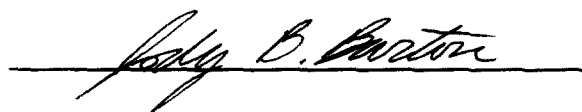
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A handwritten signature in cursive script, reading "Rudy B. Burton", is written over a horizontal line.